

TENNESSEE GENERAL ASSEMBLY
FISCAL REVIEW COMMITTEE



FISCAL MEMORANDUM

SB 3247 – HB 3769

April 24, 2012

SUMMARY OF AMENDMENTS (016021, 017358): Deletes all language after the enacting clause. Changes, from October 1 to April 1, the date by which the sponsor of a public charter school shall file an application with the chartering authority. Changes, from October 1 to April 1, the date by which the governing body of a public charter school shall submit a renewal application to the chartering authority. Changes, from 60 to 90, the number of days a local board of education will have to approve or deny a public charter school application. Changes, from 15 to 30, the number of days a local board of education will have to approve or deny an amended public charter school application. Authorizes local boards of education to charge an application fee up to \$500 to public charter school applicants.

Removes the requirement in Tenn. Code Ann. § 49-13-119 that teachers and full-time public charter school employees must participate in group insurance plans in the same manner as teachers and other regular LEA employees. Teachers and full-time public charter school employees may participate at their discretion.

Prohibits local education agencies (LEAs) from requiring more than five paper copies of a public charter school application in addition to an electronic copy.

If the charter school chooses to contract with the LEA for facilities or services, excluding services for employee benefits or Tennessee Consolidated Retirement System contributions, charter agreements may permit and require the local education agency (LEA) to withhold up to one percent of local funds due annually to the charter school in the first four years of operation. Such withholdings shall not exceed \$20,000 annually. Requires placement of these funds into an account to reimburse the LEA for monies owed it by the charter school and to pay any outstanding debt of the charter school should the school close within the first four years of operation. Directs the LEA to remit the accumulated funds (including any interest earned) to the public charter school at the beginning of the school's fifth year of operation. Charter schools in existence on January 1, 2013, and new or expanded schools that are sponsored by a sponsor that has operated a charter school within the LEA for more than four years is not subject to the withholding requirement. Authorizes LEAs to withhold funds to cover the cost of services for employee benefits or retirement if the charter agreement includes such services.

The date changes in Sections One, Two, and Three of this amendment shall be effective on January 1, 2013. All other sections shall be effective on July 1, 2012.

FISCAL IMPACT OF ORIGINAL BILL:

Increase Local Revenue – Exceeds \$1,000/Permissive

Increase Local Expenditures – Not Significant

Other Fiscal Impact – To the extent that public charter school employees no longer utilize the LEA group insurance plans, LEAs will be able to reduce expenditures associated with keeping these employees in the insurance plan. This increase is not quantifiable and will be dependent upon the number of public charter school employees who opt out and the cost to keep them on the LEA insurance plan.

FISCAL IMPACT OF BILL WITH PROPOSED AMENDMENTS:

Increase Local Revenue – \$12,500/Permissive

Increase Local Expenditures – Not Significant

Other Fiscal Impact – To the extent that public charter school employees no longer utilize the LEA group insurance plans, LEAs will be able to reduce expenditures associated with keeping these employees in the insurance plan. This decrease is not quantifiable and will be dependent upon the number of public charter school employees who opt out and the cost to keep them on the LEA insurance plan.

To the extent that charter schools close and leave chartering LEAs with debt or other obligations, LEAs will use the funds from these accounts to pay for the obligations. There is no increase or decrease in state or local government expenditures.

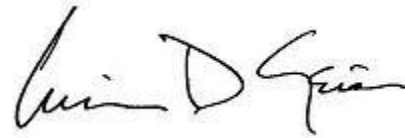
Assumptions applied to amendments:

- Any fiscal impact on state or local government as a result of changing the date by which original and renewal charter school applications must be filed with the chartering authority will be not significant.
- LEAs may choose to implement an application fee for public charter schools up to \$500.
- The number of public charter school applications will vary from LEA to LEA. Based on information received from the Comptroller of the Treasury, it is assumed that there will be at least 25 applications each year. If each of the 25 applicants is charged a \$500 application fee, the increase in permissive local revenue will be \$12,500 (\$500 x 25). The total increase in permissive local revenue will be dependent upon the number of applications received, the number of LEAs that choose to institute an application fee, and the amount charged to applicants.
- No fiscal impact to extend the amount of time that local boards of education have to review and make rulings on charter school applications.

- Public charter school employees and public charter schools may choose to opt out of the LEA group insurance plans. The number of employees and schools that will opt out cannot be quantified; however, LEAs will be able to decrease local expenditures associated with keeping these employees on the plan.
- According to the Comptroller, only one public charter school has closed due to financial reasons.
- LEAs will use funds set aside in these accounts to pay any debt or other obligations owed to the LEA by the public charter school should the school close.
- Any increase in expenditures resulting from the public charter school not receiving this funding will be borne by the public charter school.
- Public charter school contracts with the LEA will contain set aside funding language.
- No fiscal impact as a result of limiting the number of charter school application copies that an LEA may require.
- No change in the BEP funding formula.

CERTIFICATION:

The information contained herein is true and correct to the best of my knowledge.

A handwritten signature in black ink, appearing to read "Lucian D. Geise". The signature is fluid and cursive, with the first name "Lucian" and last name "Geise" clearly distinguishable.

Lucian D. Geise, Executive Director

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